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**Prescription Drugs
Under Medicare:
The Legacy of the Task Force
on Prescription Drugs**

Part I

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***Prescription Drugs Under Medicare: The Legacy of the Task Force
on Prescription Drugs, Part II will follow in Journal of Research
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Defendants' Exhibit

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reimbursement, since it would offer no protection against unduly high prices to either the beneficiary or the program.

Listed Wholesale Price. Another alternative would be to base reimbursement on the listed wholesale price of a drug product, but, as noted above, these listed prices rarely have any realistic relationship with actual acquisition costs. The assumption here would be that any losses incurred by the program as a result of basing reimbursement on listed wholesale costs would be made up to the program in savings on auditing and other administrative costs.

It would seem desirable, if this approach were adopted, that *Red Book* and *Blue Book* prices not be relied upon as the sole determinants of the wholesale price of a given drug, but that price listings be compiled on a more current and reliable basis.

This approach would have the advantage of administrative simplicity. It would also permit the program to place some limits (discussed below) on the amounts paid by the beneficiary and by the program for a given drug.

Fixed Program Payment. Still another alternative would be to establish a fixed program payment with respect to each drug. Under this approach—comparable to indemnity fee schedules in many forms of health insurance—the program payment for a specific quantity of a drug product would be a single uniform amount, and would not depend on either the price paid by the beneficiary or the costs incurred by the pharmacist.

While this fixed payment would not have to bear any relationship to the costs incurred by the pharmacist, it *could* be based on an estimate of probable acquisition costs.

This approach would also have the merits of administrative simplicity and of being easy for the pharmacist to compute and for the beneficiary to understand. Here, too, it would be possible to impose certain limitations (discussed below) on the amounts paid by beneficiaries or by the program.

The Task Force finds that reimbursement for product cost, as one element in the total cost of a prescription, may be considered on the basis of (a) "usual and customary" charges, (b) listed wholesale price, (c) actual acquisition cost as verified by audit, (d) a fixed program payment. Preference would be determined by the nature of the program.